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TO RUEHC/SECSTATE WASHDC PRIORITY 8955
INFO RUCNCIS/CIS COLLECTIVE PRIORITY
RUEH2L/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEH2D/MOSCOW POLITICAL COLLECTIVE PRIORITY
RUEHNSC/NSC WASHDC PRIORITY
RHMFISS/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 MOSCOW 001964

SIPDIS

DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
EUR/CARC, SCA (GALLAGHER, SUMAR)
DOE FOR FREDRIKSEN, HEGBORG, EKIMOFF
DOC FOR 4231/IEP/EUR/JBROUGHER

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----- Summary -----

1.(C) BP Russia President Richard Spies told us July 7 that the company is pursuing a three-pronged approach of negotiations, legal action, and
----- Three-Pronged Approach -----

2.(C) Spies said BP is pursuing a three-pronged approach to defend its interests in TNK-BP: negotiate with AAR; examine and pursue legal options

3.(C) With respect to the third prong, Spies said BP is briefing all G7 governments and requesting that they approach the GOR seeking its interests
----- AAR Tactics and Goals -----

4.(C) Spies said that despite progress on visas (see paragraph 9) he expected the attacks by AAR to continue. He pointed to the July 7 extraordinary

5.(C) According to Spies, BP was willing to accommodate GOR interests but it was unclear what those interests were at this point. BP's talks with
----- TNK-BP Management Perspective -----

6.(C) In a separate July 7 meeting, McCormick also pointed to the TNK-BP Management board meeting as evidence that AAR would continue to use even

7.(C) McCormick said a resolution of the dispute would require BP engaging directly with the AAR partners. In that regard, he welcomed the appointment

8.(C) McCormick added that he was not sanguine that BP would be able to successfully defend its interests. AAR had successfully used pressure to
----- VISAS -----

9.(C) As reported in the press, 49 expat staff of TNK-BP (actual TNK-BP employees, not secondees) have either received or should soon receive their
----- COMMENT -----

10.(C) This case sends the wrong signals about Russia's long-term investment climate and its commitment to economic reforms. Convincing the Russian